

Message Text

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 103833 TOSEC 110349

EXDIS FOR SCHAUFELE FROM SEELYE

E.O. 11652:XGDS-3

TAGS: PFOR, OVIP (KISSINGER, HENRY A), PARM, TECH, SF

SUBJECT: PROPOSED US-DUTCH-SWISS NUCLEAR SALE TO SOUTH
AFRICA

REF:A)HAVERKAMP-SCHAUFELE MEMO OF APRIL 22; B) STATE 103832

FOLLOWING IS PROPOSED PRESS GUIDANCE PER REF B:

Q. DO YOU ANTICIPATE AN ADVERSE REACTION ON THE PART OF
SOME AFRICAN STATES OVER THE PARTICIPATION OF A U.S. FIRM
IN A TRANSACTION INVOLVING THE CONSTRUCTION OF A NUCLEAR
POWER PLANT IN SOUTH AFRICA?

A. IT IS CERTAINLY POSSIBLE THAT SOME STATES, IN AFRICA
AND ELSEWHERE, MAY VOICE OBJECTIONS TO SUCH A SALE BY GE
OR ANY OTHER COMPANY EITHER IN THE UNITED STATES OR ELSE-
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WHERE. U.S. POLICY HAS LONG FAVORED ACTIVE COOPERATION

WITH OTHER NATIONS IN PEACEFUL USES OF NUCLEAR ENERGY,
INCLUDING NUCLEAR REACTOR SALES SUCH AS THIS, UNDER AGREEMENTS WHICH PROVIDE EFFECTIVE SAFEGUARDS AGAINST ANY DIVERSION TO MILITARY USES.

Q. WOULD A DECISION TO PERMIT AN AMERICAN COMPANY TO PROVIDE NUCLEAR MATERIALS AND EQUIPMENT TO SOUTH AFRICA BE CONSISTENT WITH THE SECRETARY'S LUSAKA STATEMENT CONCERNING U.S. RELATIONS WITH SOUTH AFRICA?

A. WE SEE NO CONFLICT BETWEEN THE SALE OF NUCLEAR EQUIPMENT FOR POWER GENERATORS PROTECTED BY STRINGENT SAFEGUARDS AND THE LUSAKA STATEMENT MADE BY THE SECRETARY URGING A PEACEFUL END TO SOUTH AFRICA'S INSTITUTIONALIZED RACIAL INEQUALITY.

Q. HAS GE REQUESTED EXIMBANK ASSISTANCE TO COVER THE FINANCING OF SUPPLYING U.S. NUCLEAR EQUIPMENT AND FUEL FOR THE KOEBERG PROJECT?

A. YES. OVER A YEAR AGO GE SUBMITTED A REQUEST FOR AN EXIMBANK GUARANTEE TO COVER THE PRIVATE FINANCING OF POTENTIAL U.S. SALES FOR THE KOEBERG PROJECT. OUR POLICY ON EXIMBANK FACILITIES FOR SOUTH AFRICA PERMITS EXIMBANK GUARANTEES OF PRIVATE FINANCIAL TRANSACTIONS BUT PROHIBITS DIRECT EXIMBANK LOANS. THEREFORE, NO EXIMBANK LOANS ARE INVOLVED IN THIS TRANSACTION.

Q. IS IT GENERALLY KNOWN THAT GE HAS BEEN BIDDING ON THE PROJECT AND THAT THE COMPANY HAS REQUESTED AN EXIMBANK GUARANTEE IN THIS CONNECTION?

A. YES. BOTH GE PARTICIPATION IN A CONSORTIUM, WITH DUTCH AND SWISS COMPANIES, WHICH HAS BEEN BIDDING ON THE KOEBERG PROJECT AND GE'S REQUEST FOR AN EXIMBANK GUARANTEE ARE PUBLIC KNOWLEDGE. THESE FACTS WERE DISCUSSED AT THE PUBLIC HEARING BY THE SENATE SUBCOMMITTEE ON AFRICA ON JULY 24, 1975. IN ADDITION, ON APRIL 2, 1975, THE DEPARTMENT INFORMED CONGRESSMAN CHARLES C. DIGGS, JR., CHAIRMAN OF THE HOUSE OF REPRESENTATIVES' SUBCOMMITTEE ON CONFIDENTIAL

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INTERNATIONAL RESOURCES, FOOD AND ENERGY THAT AMERICAN COMPANIES WERE BIDDING ON THE KOEBERG PROJECT. THE GE/DUTCH/SWISS CONSORTIUM'S ROLE AS A BIDDER ON THE PROJECT HAS ALSO BEEN PUBLICIZED OVERSEAS.

Q. SHOULD NOT WE REQUIRE SOUTH AFRICA TO ADHERE TO THE NUCLEAR NON-PROLIFERATION TREATY (NPT) PRIOR TO PERMITTING THE SALE OF NUCLEAR REACTOR EQUIPMENT FOR THE KOEBERG

POWER PLANT?

A. WE HAVE NOT ADOPTED A POLICY OF LIMITING OUR PEACEFUL NUCLEAR COOPERATION TO SIGNATORIES OF THE NPT (NOR HAVE OTHER PRINCIPAL NUCLEAR SUPPLIERS), PROVIDED WE HAVE A FORMAL AGREEMENT OF COOPERATION WITH THE PURCHASING COUNTRY WHICH INCLUDES STRINGENT INTERNATIONAL (IAEA) SAFEGUARDS. WE HAVE BEEN ENCOURAGING SOUTH AFRICA TO ADHERE TO THE NPT AND WILL CONTINUE TO DO SO.

Q. WHAT WOULD GE HAVE TO DO TO OBTAIN PERMISSION TO EXPORT NUCLEAR POWER PLANT EQUIPMENT FROM THE U.S.?

A. GE WOULD HAVE TO REQUEST A LICENSE FROM THE U.S. NUCLEAR REGULATORY COMMISSION (NRC). THE NRC WOULD IN TURN REVIEW GE'S REQUEST IN ORDER TO DETERMINE WHETHER OR NOT TO GRANT THE EXPORT LICENSE.

Q. IS THE U.S.-SOUTH AFRICAN NUCLEAR COOPERATION AGREEMENT A SECRET AGREEMENT?

A. NO. IN ACCORDANCE WITH U.S. STATUTORY PROVISIONS, THE AGREEMENT, AND ALL SUBSEQUENT AMENDMENTS, HAVE BEEN SUBMITTED TO THE CONGRESS, WHICH HAS HAD THE OPPORTUNITY TO REVIEW THEM BEFORE THEY BECOME EFFECTIVE. DURING PUBLIC HEARINGS BY THE SUBCOMMITTEE ON AFRICA OF THE U.S. SENATE'S COMMITTEE ON FOREIGN RELATIONS, ON JULY 24, 1975, THE AGREEMENT WAS DISCUSSED IN SOME DETAIL. THE AGREEMENT PERMITS THE EXPORT OF NUCLEAR MATERIALS, INCLUDING ENRICHED URANIUM TO SOUTH AFRICA, HAS BEEN IN FORCE SINCE 1957, AND IS ONE OF THE 29 SUCH AGREEMENTS THE U.S. HAS ENTERED INTO WITH VARIOUS COUNTRIES FOR THE SUPPLY OF NUCLEAR FUEL. WE HAVE BEEN SUPPLYING ENRICHED URANIUM, UNDER THE TERMS OF THIS AGREEMENT, FOR SOUTH AFRICA'S

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RESEARCH REACTOR SINCE 1965. UNDER THE TERMS OF THE AGREEMENT THE SOUTH AFRICAN GOVERNMENT UNDERTOOK TO PLACE ALL MATERIALS SUPPLIED BY US UNDER SAFEGUARDS AND NOT TO USE THEM IN THE MANUFACTURE OF WEAPONS.

(DETAILS ON AGREEMENT ARE INCLUDED IN ATTACHMENT TO REF A).

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